Billing Code: MR-4310

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Request for Comments on the Preparation of a New 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012; and on the Intent to Prepare an Environmental Impact

Statement (EIS) for the Proposed 5-Year Program

SUMMARY: Section 18 of the OCS Lands Act (43 U.S.C. 1344) requires the Department of

the Interior to solicit information from interested and affected parties during the preparation of a

5-year OCS oil and gas leasing program. The current 5-year program covers the period July

2002 to July 2007. The Department's MMS intends to prepare a new 5-year program for July

2007 to July 2012 to succeed the current one.

Section 18 requires completion of a lengthy, multi-step process of public consultation and

analysis before the Secretary of the Interior may approve a new 5-year program. The section 18

process includes the following required steps: this initial solicitation of comments; development

of a draft proposed program, a proposed program, and a proposed final program; and Secretarial

approval. The MMS will also prepare an EIS that analyzes the alternatives considered for the

new 5-year program. This notice announces the start of the EIS preparation process. The MMS

will consider comments received in response to this notice in developing the draft proposed

program and in determining the scope of the EIS. The public will have additional opportunities

to comment on the draft proposed program, the draft EIS, and the proposed program.

DATES: The MMS must receive all comments and information by October 11, 2005.

Public Comment Procedure

The MMS will accept comments in one of two formats: by mail or our Internet commenting

system. Please submit your comments using only one of these formats, and include full names

and addresses. Comments submitted by other means may not be considered. We will not consider anonymous comments, and we will make available for inspection in their entirety all comments submitted by organizations and businesses or by individuals identifying themselves as representatives of organizations and businesses.

Our practice is to make comments, including the names and home addresses of respondents, available for public review. An individual commenter may ask that we withhold his or her name, home address, or both from the public record, and we will honor such a request to the extent allowable by law. If you submit comments and wish us to withhold such information, you must so state prominently at the beginning of your submission.

ADDRESSES: Mail comments and information to: Ms. Renee Orr, 5-Year Program Manager, Minerals Management Service (MS-4010), Room 3120, 381 Elden Street, Herndon, Virginia 20170. Please label your comments and the packaging in which they are submitted according to the subject matter. Mark those pertaining to program preparation, "Comments on Preparation of the 5-Year Program for 2007-2012"; and mark those pertaining to EIS preparation, "Scoping Comments on the EIS for the 5-Year Program for 2007-2012." If you submit any privileged or proprietary information to be treated as confidential, please mark the envelope, "Contains Confidential Information."

INTERNET: The MMS will accept comments submitted to our electronic commenting system. This system can be accessed at http://www.mms.gov/5-year/2007-2012main.htm. We also will provide access to information concerning the 5-year program and EIS, including copies of comments we receive in response to this notice, at the MMS Internet website (*www.mms.gov*). **FOR FURTHER INFORMATION CONTACT:** Ms. Renee Orr, 5-Year Program Manager, at (703) 787-1215.

SUPPLEMENTARY INFORMATION: The MMS requests comments from states; local and tribal governments; American Indian and Native Alaskan organizations; Federal agencies; environmental and fish and wildlife organizations; the oil and gas industry, other interested organizations; and other parties to assist in the preparation of a 5-year OCS oil and gas leasing program for 2007-2012, and applicable EIS. MMS is seeking a wide range of information, including marine productivity and environmental sensitivity. The 5-year program enables the Federal Government, states, industry, and other interested parties to plan for steps proposed to lead to OCS oil and gas lease sales. The Department will make a decision on whether to proceed with a specific lease sale on the schedule, only after meeting all of the applicable requirements of the OCS Lands Act, the National Environmental Policy Act (NEPA), and other statutes.

Section 18 of the OCS Lands Act requires that the Secretary consider national energy needs in formulating a leasing program. The following overview of today's energy situation provides the context in which to consider responses to this Request for Comments. One measure of how energy markets compare over different time periods is the relative prices that consumers can expect to pay. In the year 2000, when the Request for Comments for the current 5-Year Program (2002-2007) was issued, oil prices averaged \$26.72 per barrel and natural gas prices averaged \$3.68 per thousand cubic feet (mcf). Prices have generally shown an upward trend, sometimes a steep one. Between 1999 and 2000, the price of natural gas peaked temporarily for an increase of 68 percent. In 2004, those prices averaged \$36.77 for a barrel of oil and \$5.49 per mcf of gas, and continued to increase in the first three months of 2005, to an average of \$43.21 for a barrel of oil and \$5.70 per mcf of gas (Energy Information Administration, *June 2005 Monthly Energy Review*). The Energy Information Administration (EIA), in its *Annual Energy Outlook 2005*, projected that annual oil price levels will reach \$52 per barrel and natural gas

prices will reach \$8.20 per mcf in 2025. These prices have already been exceeded. Energy prices are a reflection of supply and demand. The recent increase in oil and natural gas prices resulted from growing U.S. and global demand for these products that has not been matched by an equivalent increase in available supplies.

According to EIA's *Annual Energy Outlook 2005* (reference case), over the next 20 years, U.S. demand for energy is expected to grow at an annual rate of 1.4 percent. This growth projection incorporates continued gains in energy efficiency and movement away from energy-intensive manufacturing to service industries. Despite a continuing emphasis on conservation and expanding renewable sources of energy, petroleum products and natural gas are projected to account for almost 65 percent of domestic energy consumption in 2025, a slightly larger share than today.

United States petroleum demand is expected to grow from 20 million barrels per day in 2003 to 27.9 million barrels per day in 2025. In 2003, domestic production (crude oil and natural gas plant liquids) totaled about 7.40 million barrels per day and net petroleum imports of crude oil and petroleum products amounted to 11.23 million barrels per day (or 56 percent of total supply). Today's domestic production is down slightly (to about 7.31 million barrels per day) and net imports have increased to about 58 percent of supply. An even larger share of petroleum is projected to come from overseas in future years. Although domestic production is expected to increase through the end of this decade – primarily due to deep water Gulf of Mexico production—it is expected to fall thereafter, down by almost 1 million barrels per day by the end of the forecast period. At that time, in 2025, imports are expected to account for 68 percent of petroleum demand.

While we will need to buy greater supplies of oil from other countries in the future, we will be facing greater competition for those supplies. The strongest growth in energy consumption will come from developing nations, particularly China, India and the rest of developing Asia, which are expected to experience strong economic growth and rising living standards. As a result, the nations of developing Asia will account for 40 percent of the world's growth in energy demand.

The U.S. natural gas consumption is expected to grow from 22 trillion cubic feet (tcf) in 2003 to almost 31 tcf in 2025. Domestic production, however, will grow only from 19.1 tcf to 21.8 tcf, meeting only about 30 percent of demand growth. In the past, any difference between the growth in demand and the growth in domestic production was predominantly met by imports of natural gas from Canada. However, Canada's National Energy Board has concluded that their future production will not support increased U.S. imports, but will instead be used to support Canada's energy needs. Most additional supplies will need to come from Alaskan natural gas and from imports of liquefied natural gas. EIA notes, "A key issue for U.S. energy markets is whether the investments and regulatory approvals needed to make those natural gas supplies available will be forthcoming, and what the ramifications will be if they are not" (EIA, AEO 2005, p.2).

Meeting the United States' and the world's growing demand for oil and natural gas will require substantial investment in finding and developing new sources of supply. In its *International Energy Outlook 2004*, EIA stated that the projected growth in worldwide oil use would require an increment to global production capacity of more than 44 million barrels per day over current levels. Daniel Yergin, Chairman of Cambridge Energy Research Associates (CERA), stated that, "[W]ith as much as a 60% increase in worldwide oil production needed to

meet growing energy demand in the next 25 years, and an expected doubling in natural gas demand, \$4 to \$6 trillion in new exploration and production investment will be required" (CERA Press Release, February 23, 2005). The OCS leasing program provides one potential avenue for such investment. Your comments will help determine the plan for leasing activities during 2007-2012, and, consequently, the ability of the OCS program to meet the Nation's energy needs in the years beyond.

OCS Planning Areas to Be Considered and Analyzed

Section 18 of the OCS Lands Act requires that the 5-year schedule of lease sales be based upon a comparative analysis of the oil and gas-bearing regions of the OCS. Purely for administrative planning purposes, MMS has created 26 planning areas, which are depicted on Figures 1 and 2. The boundaries between planning areas were administratively created and are not specified in law or regulation. Note that precise marine boundaries between the United States and nearby or adjacent nations have not been determined in all cases. The depicted maritime boundaries and limits, as well as divisions between planning areas, where shown, are for planning and administrative purposes only. These limits do not affect or prejudice in any manner the position of the United States, or its individual States, with respect to the nature or extent of internal waters or of sovereign rights or jurisdiction.

Many planning areas currently are subject to a 1998 presidential withdrawal from leasing through June 30, 2012, under the authority of Section 12 of the OCS Lands Act (43 U.S.C. 1341). The presidential withdrawal bars leasing activities. These areas include all National Marine Sanctuaries and the following planning areas: North Aleutian Basin (Bristol Bay, Alaska); Washington-Oregon; Northern, Central, and Southern California; South, Mid-, and North Atlantic; and Eastern Gulf of Mexico, except for a portion located off Alabama and

another one more than 100 miles off Florida initially proposed in Lease Sale 181 in 2001.

In addition, most of those areas have been closed to leasing pursuant to congressional moratoria in annual appropriations statutes since the 1980's, and as recently as P.L. 109-54 signed into law on August 2, 2005. The first congressional moratorium was enacted in Fiscal Year (FY) 1982, prohibiting leasing in the Central and Northern California Planning Areas. The Southern California, North Atlantic, and part of the Eastern Gulf of Mexico (south of 26° N latitude) Planning Areas were first subject to moratoria in FY 1984. The North Aleutian Basin and the Mid-Atlantic Planning Areas were added in FY 1990. The Washington-Oregon Planning Area and the Florida Panhandle area of the Eastern Gulf of Mexico Planning Area were added in FY 1991. The South Atlantic Planning Area was added in FY 1992. With slight adjustments in some areas, all these areas have been subject to yearly moratoria, with the exception of the North Aleutian Basin, which has not been included since FY 2004. See Figures 3 and 4 for maps showing the areas currently subject to presidential withdrawal and/or congressional moratoria. The Administration has repeatedly stated its support for the existing moratoria, based upon deference to the wishes of the states to determine what activities take place off their coasts.

Given that the presidential withdrawals bar the conduct of lease sales in those areas for the entire 5-year planning period until 2012, and that most of the areas have been subject to congressional moratoria, a full analysis of these areas under section 18 of the OCS Lands Act may not be necessary. However, in the Energy Policy Act of 2005, Congress required the Secretary of the Interior to conduct a comprehensive inventory of oil and gas resources beneath all the waters of the OCS, taking into account considerations such as the potential for discovery of oil and gas and state laws and policies. Therefore, consistent with the purposes of both the OCS Lands Act and the recently enacted Energy Policy Act of 2005, MMS is soliciting

information from governors, local officials, and other interested parties concerning all areas of the OCS.

As set forth in more detail later in this notice, the information needed is wide-ranging, including other uses of the sea, marine productivity, and environmental sensitivity. Accordingly, this notice provides an opportunity for a governor or anyone else to comment on any area of the OCS, whether to reaffirm longstanding positions or to bring other information or positions to the Secretary's attention. Such information is therefore solicited and will be considered in light of the factors specified by section 18 of the OCS Lands Act, discussed later in this notice and in light of existing moratoria. Based upon the analysis of these factors, the Secretary will decide which areas to exclude from the draft proposed program. Pursuant to section 18, excluded areas will not require any further analysis. The Secretary also seeks comments on whether the existing presidential withdrawals or Congressional moratoria should be modified or expanded to include other areas in the OCS. Finally, the Secretary has no intention of offering for leasing areas in the Eastern Gulf of Mexico Planning Area within 100 miles of the coast of the State of Florida.

Section 18

As previously noted, the program preparation process will follow all the procedural steps required by section 18 of the OCS Lands Act. This notice solicits comments early in the preparation process pursuant to section 18(c)(1) of that Act. The MMS will prepare a draft proposed program based on consideration of the comments we receive and analysis of the principles and factors specified in section 18. The draft proposed program will present for review and comment a preliminary schedule of lease sales and potential alternatives.

Section 18 of the OCS Lands Act lists the factors to be considered—the economic, social, and environmental values of all of the resources of the OCS and the potential impact of oil and

gas exploration on the environment. Specific factors which must be analyzed and considered in deciding where and when to lease include: (1) existing information on the geographical, geological, and ecological characteristics of such regions; (2) equitable sharing of developmental benefits and environmental risks among the various regions; (3) location of such regions and regional and national energy markets; (4) location with respect to other current and anticipated uses of the sea and seabed; (5) expressed industry interest; (6) laws, goals, and policies of affected states specifically identified by governors; (7) relative environmental sensitivity and marine productivity of different areas of the OCS; and (8) environmental and predictive information for different areas of the OCS. The OCS Lands Act requires the Secretary to obtain a proper balance among the potentials for environmental damage, the discovery of oil and gas, and adverse impact on the coastal zone, using cost-benefit analysis.

Types of Information Requested

The MMS invites comments from anyone who would like to submit information for us to consider in determining the appropriate size, timing, and location of OCS leasing for the 5-year period July 2007 through June 2012. The types of information we seek are described below, using general and specific headings. Regardless of these headings, all respondents are welcome to comment on any aspect of program preparation and to submit any type of pertinent information.

General

The MMS would like to receive comments and suggestions of national or regional application that would be useful in formulating the new 5-year program. The types of information that would be most useful to us in conducting the analysis pursuant to section 18 of the OCS Lands Act relate to the following factors:

- (1) national energy needs for the period relevant to the new program (in particular for this program, the role of OCS leasing in achieving national energy policy goals, including its potential for contributing to increased domestic natural gas supplies); the economic, social, and environmental values of the renewable and nonrenewable resources contained in the OCS; and the potential impact of oil and gas exploration on other resource values of the OCS and the marine, coastal, and human environments;
- (2) geographical, geological, and ecological characteristics of the planning areas of the OCS and near shore and coastal environments:
- (3) equitable sharing of developmental benefits and environmental risks among the various planning areas;
- (4) location of planning areas with respect to, and the relative needs of, regional and national energy markets;
- (5) other uses of the sea and seabed, including fisheries, navigation, military activities, existing or proposed sealanes, potential sites of deepwater ports (including liquefied natural gas facilities), potential offshore wind and wave energy sites, and other anticipated uses of OCS resources and locations; and any information that could be useful for future rulemaking concerning offshore alternative energy as authorized by the Energy Policy Act of 2005;
- (6) relative environmental sensitivity and marine productivity of the different planning areas and/or specific section of a given planning area of the OCS;
- (7) environmental and predictive information pertaining to offshore and coastal areas potentially affected by OCS development (including, but not limited to, socio-cultural and archaeological information); and
- (8) methods and procedures for assuring the receipt of fair market value for lands leased.

The MMS also invites commenters to respond to the following questions:

- (i) What do you think is the proper role of the OCS as part of a comprehensive national energy policy? How should the 5-year program for 2007-2012 be structured to fulfill this role?
- (ii) Since recent studies have projected shortfalls in meeting energy needs, particularly natural gas, how should such needs be balanced with the laws, goals, and policies influencing the management of the OCS? How should long-term planning address the current energy supply situation?
- (iii) Although OCS oil and gas leasing is typically conducted through an extensive, longestablished process, are there alternative ways to ensure appropriate consultation and to
 streamline our leasing procedures? Should the OCS Lands Act be amended to allow changes in
 the 5-year plan without starting the process all over again in cases of acute supply or demand
 shift affecting national security? How might we best meet the purpose of the OCS Lands Act "to
 insure that the extent of oil and gas resources of the outer Continental Shelf is assessed at the
 earliest practicable time"?
- (iv) If new areas are leased for exploration and potential development, what short-term and long-term impacts do you foresee for the economies of coastal communities?
- (v) How should ecological considerations be weighed against national and local economic benefits, if new areas are considered for oil and gas leasing?

Specific

Inventory Provision of Energy Policy Act of 2005

Section 357 of the Energy Policy Act of 2005 directs the Secretary to "conduct an inventory and analysis of oil and natural gas resources beneath all of the waters" of the OCS. The statute requires that the analysis "identify and explain how legislative, regulatory, and administrative

programs and processes restrict or impede development" of OCS resources and "the extent that they affect domestic supply." Comments are solicited on how legislative, regulatory, and administrative programs or processes of the Federal Government or coastal states, as well as local zoning restrictions on onshore processing facilities and pipeline landings, restrict domestic energy production from the OCS. Further, what recommendations should be considered to ensure that domestic resource potential is adequately assessed?

The inventory and analysis must use available data on oil and gas resources including those data offshore Mexico and Canada that can aid in establishing trends of hydrocarbon accumulations in the US areas of the OCS. The Energy Policy Act of 2005 also authorizes use of available technologies, except drilling, to establish a comprehensive inventory, specifically 2-D and 3-D seismic surveys. MMS seeks comments and information regarding availability of these technologies to obtain more precise resource estimates.

Gas-Only Leasing

MMS also seeks input on ways the leasing program can be designed to promote increased production of natural gas from the OCS. Natural gas has been identified as the environmentally preferred fossil fuel and currently accounts for at least 25 percent of the Nation's fuel needs. It is expected to remain a critical component of the Nation's energy demand well into the 21st century. MMS is interested in comments on the possibility of "gas-only" leasing, particularly in light of the dramatic rise in natural gas costs. There may be some areas very sensitive to potential accidental oil spills that may be suited to gas-only production, since natural gas would not pollute neighboring land areas in case of the loss of control of a well. It is recognized that the current law covers "oil and gas" leasing, and that the OCS Lands Act may need to be

amended to allow leasing of the separate commodities. MMS requests any comments, but especially on the following questions:

- (1) Can gas-only production be realistically anticipated?
- (2) Where on the OCS should such leases be offered?
- (3) What technological obstacles may exist?
- (4) What steps would have to be taken if significant amounts of oil are encountered? Would the well have to be capped?
- (5) What steps would have to be taken if condensate is encountered?
- (6) How would gas-only production affect the OCS Lands Act requirement for "prevention of waste and conservation of the natural resources"?

Alaska Specific

In several areas offshore Alaska, the current program includes a "special" sales process to provide the Secretary flexibility to offer such areas if the interest is sufficient. Should the "special" lease sale process used in the current 5-year program be continued or amended to reflect regional needs?

Restricted Joint Bidders

It has been suggested that the inability of the larger oil and gas companies to submit joint bids may be an important factor in the low interest in some Alaska OCS lease sales, given the lack of infrastructure and the cost and risk of operating in frontier areas. Should MMS consider dropping the current joint bidding restrictions for such companies in certain areas of the Alaska offshore? If so, where and why?

Affected Coastal States

As specified in section 18(a)(2)(F) of the OCS Lands Act, the MMS requests the governors of

affected states to identify state laws, goals, and policies relevant to OCS oil and gas. A letter soliciting such information has been sent to those governors. Pursuant to section 18(f)(5) of the OCS Lands Act and implementing regulations at 30 CFR 256.20, MMS requests information concerning the relationship between OCS oil and gas activity and the states' coastal zone management programs that are being developed or administered under the Coastal Zone Management Act. We also request the affected states to submit information concerning environmental risk and potential for damage to coastal and marine resources associated with development of the OCS, information related to other uses of the sea, and any information that is relevant to equitable sharing of developmental benefits and environmental risks associated with OCS oil and gas activity.

Oil and Gas Industry

As specified in section 18(a)(2)(E) of the OCS Lands Act, the MMS requests oil and gas industry respondents to provide information indicating interest in the opportunity to lease and develop additional OCS oil and gas resources. Respondents should base this information on their expectations as of 2007. For each area in which a company is interested, please submit information concerning unleased hydrocarbon potential, future oil and gas price expectations, and other relevant information that the company uses in making OCS oil and gas leasing decisions. The MMS requests industry respondents to provide additional information as specified below. On request such information will be treated confidentially, as explained further below:

(1) Indicate the OCS planning area(s) where the company would be interested in acquiring oil and gas leases during the period 2007-2012. If more than one planning area is of interest, rank the areas in order of preference.

(2) Indicate the number and timing of lease sales in the period 2007-2012 that would be appropriate for each planning area. If only one lease sale in a planning area is appropriate, indicate whether that area should be considered for leasing early or late in the 5-year program schedule. If more than one lease sale in a planning area is suggested, indicate the preferred interval between lease sales.

Section 18(g) of the OCS Lands Act authorizes confidential treatment of privileged or proprietary information. In order to protect the confidentiality of privileged or proprietary information, include such information as an attachment to other comments submitted so that there is no ambiguity about what portions of the comments are confidential or proprietary. On request, the MMS will treat the privileged or proprietary information that is attached to a response as confidential from the time of its receipt until 5 years after approval of the 2007-2012 leasing program, subject to the standards of the Freedom of Information Act. However, the MMS will not treat as confidential any aggregate summaries of such information, the names of respondents, or comments not containing such information. As noted above, there should be affixed the label "Contains Confidential Information" on any envelope containing privileged or proprietary information that a respondent wishes to be treated as confidential.

Department of Commerce

Pursuant to section 18(f)(5) of the OCS Lands Act and implementing regulations at 30 CFR 256.20, the MMS requests information concerning relationships between affected states' coastal zone management programs and OCS oil and gas activities. We have sent a letter to the Secretary of Commerce soliciting such information.

Department of Energy

Pursuant to implementing regulations at 30 CFR 256.16, the MMS requests information

concerning regional and national energy markets, OCS production goals, and oil and gas transportation networks. We have sent a letter to the Secretary of Energy soliciting such information.

EIS Preparation

Pursuant to section 102(2)(C) of NEPA, the MMS intends to prepare an EIS for the new 5-year OCS oil and gas leasing program for 2007-2012. This notice starts the scoping process for the EIS under 40 CFR 1501.7, and solicits information regarding issues and alternatives that should be evaluated in the EIS. The EIS will address the potential impacts of the adoption of the proposed 5-year program. The MMS requests respondents to focus their comments on the significant environmental issues attendant to OCS oil and gas leasing and development and on alternative options for the size, timing, and location of lease sales that should be evaluated in the EIS. Please label and submit comments as indicated above. The MMS will consider these comments for the purposes of determining the scope of the EIS we plan to prepare and the schedule for scoping. For further information about preparation of the EIS, please contact Mr. Jim Bennett, Chief, Branch of Environmental Assessment at the Minerals Management Service, 381 Elden Street, MS 4042, Herndon, Virginia 20170, telephone (703) 787-1660.

Cooperating Agency

The Department of the Interior invites other Federal agencies and state, tribal, and local governments to consider becoming cooperating agencies in the preparation of the EIS. We invite qualified government entities to inquire about cooperating agency status for the EIS for the proposed 5-year program. Per guidelines from the Council of Environmental Quality (CEQ), qualified agencies and governments are those with "jurisdiction by law or special expertise." Potential cooperating agencies should consider their authority and capacity to assume the

responsibilities of a cooperating agency and to remember that an agency's role in the environmental analysis neither enlarges nor diminishes the final decision making authority of any other agency involved in the NEPA process. Upon request, MMS will provide potential cooperating agencies with a written summary of ground rules for cooperating agencies, including time schedules and critical action dates, milestones, responsibilities, scope and detail of cooperating agencies' contributions, and availability of pre-decisional information. MMS anticipates this summary will form the basis for a Memorandum of Understanding between the MMS and each cooperating agency. Agencies should also consider the "Factors for Determining Cooperating Agency Status" in Attachment 1 to CEQ's January 30, 2002, Memorandum for the Heads of Federal Agencies: Cooperating Agencies in Implementing the Procedural Requirements of the National Environmental Policy Act. A copy of this document is available at: http://ceq.eh.doe.gov/nepa/regs/cooperating/cooperatingagenciesmemorandum.html and http://ceq.eh.doe.gov/nepa/regs/cooperating/cooperatingagencymemofactors.html.

The MMS, as the lead agency, will not be providing financial assistance to cooperating agencies. Even if an organization is not a cooperating agency, opportunities will exist to provide information and comments to MMS during the normal public input phases of the NEPA/EIS process. MMS will also consult with tribal governments on a government-to-government basis. If further information about cooperating agencies is needed, please contact Mr. Jim Bennett, at (703) 787-1660.

	Date
Director, Minerals Management Service	

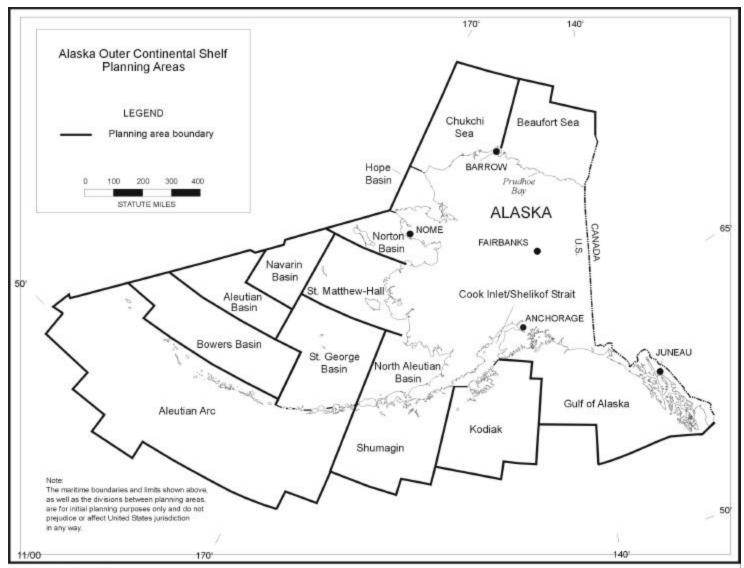


Figure 1. Alaska

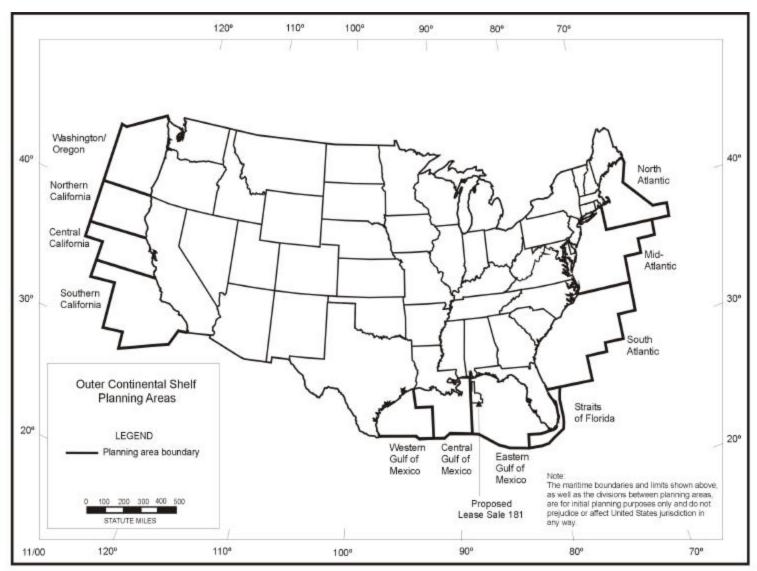


Figure 2. Lower 48 States

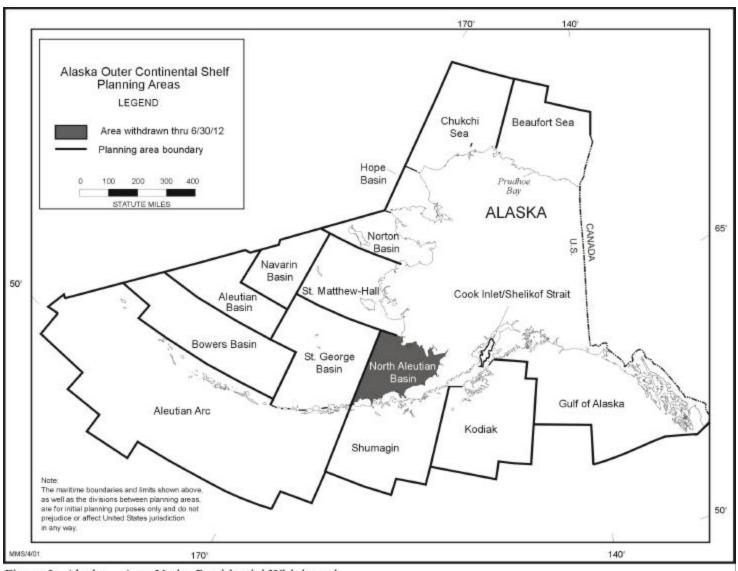


Figure 3. Alaska -- Area Under Presidential Withdrawal

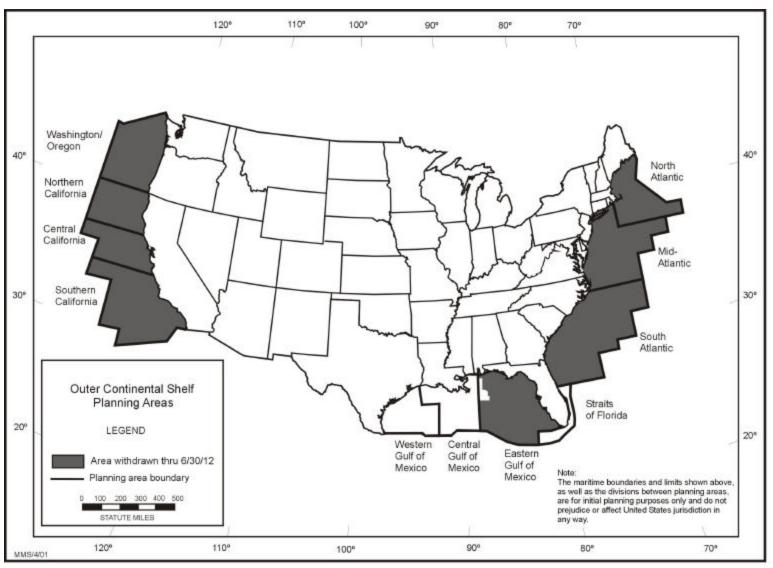


Figure 4. Lower 48 States -- Areas Under Presidential Withdrawal